

Protecting Social Security

The baby boom generation will eventually put pressure on the Social Security program, but contrary to popular belief, the Social Security system is not in immediate crisis. If Congress fails to act, the most recent Trustee Report projects that Social Security would still have sufficient assets to continue paying full benefits on time until 2042. Therefore, we have time to craft a thoughtful solution that will ensure that future generations can depend on Social Security.

Social Security is a program that is well worth saving, and it must continue to protect the millions of Americans who depend upon it. It is much more than just another financial investment and I am committed to ensuring that it remains a stable and secure insurance policy for all Nevadans.

Repealing the GPO and WEP

I am a cosponsor of the Social Security Fairness Act which would repeal these unfair provisions. The government pension offset (GPO) in current law prohibits a spouse, widow, or widower of a government employee from receiving full Social Security spousal benefits and a government pension. The GPO affects more than 376,000 retirees. The average offset caused by the GPO was \$276 a month for men and \$391 a month for women. The windfall elimination provision (WEP) reduces the Social Security benefits of workers who also have pension benefits from employment not covered by Social Security. These provisions substantially reduce benefits for many public employees and their families.

Against Privatization

I am concerned that replacing Social Security's defined benefit with a system of private accounts would result in the loss of guaranteed level of benefits for the more than 46 million Social Security recipients. Privatization is not the simple solution to Social Security reform that some of its advocates imply. Several different Social Security reform proposals have been introduced in Congress, many of which are based on plans to privatize or partially privatize Social Security. In 2001, President Bush formed a sixteen-member commission to study and report recommendations to modernize and restore fiscal soundness to Social Security. When the Commission released its final report on December 21, 2001 presenting three models for modifying the current Social Security program, all of the Commission's proposals included systems based on voluntary personal accounts.

Privatization has many disadvantages. First, comparisons on rates of return to the existing Social Security system can be highly misleading. The claims of higher returns ignore the huge transition costs of financing benefits for current and near retirees and are not adjusted to reflect the higher risks of the stock market. Moreover, investments by the Social Security trust fund, rather than those of individual accounts, are stable and provide the retirement security Nevadans need.

Second, making the transition to a partially privatized system could lead to insolvency and would divert funds from the existing Social Security system. Diverting current payroll taxes into personal accounts would mean the loss of revenues that pay the benefits of today's retirees. In order to make privatization work, benefits would need to be cut, the retirement age would need to be raised, or taxes would need to be increased.

Finally, privatizing Social Security would seriously jeopardize the long-term fiscal health of the program. Social Security was designed to be an insurance plan, not an investment program. Instead of guaranteed benefits based on an individual's work history, benefits under a privatized system would depend on an individual's investment skills - and on sheer luck. Reductions in core benefits would also inhibit Social Security's ability to combat poverty among the elderly and disabled.

Closing the Notch

It is time to pay off our debt to the notch babies. I introduced the Notch Fairness Act of 2003, which would allow workers who reached age 65 after 1981 and before 1992 to choose either lump sum payments over four years totaling \$5,000 or an improved benefit computation formula under a new ten-year rule. In 2002, I offered similar provisions as an amendment to the Economic Growth and Tax Relief Reconciliation Act, though, unfortunately, my amendment was defeated. In 1999, the Senate passed my amendment which expressed the Senate's intent to ensure Social Security meets its obligations to notch seniors.

While we must save Social Security for the future, we have an obligation to those who, through no fault of their own, receive less than those who were fortunate enough to be born just days before or after the notch period. As your representative in Congress, as well as the author of the only legislation to have ever passed either the House or Senate on this issue, I will continue to lead efforts to change this injustice.